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**DISTRICT COURT TAKES FIRST GUILTY PLEA IN
CANADIAN TELEMARKETING FRAUD CASE**

CONCORD, NEW HAMPSHIRE -- United States Attorney Tom Colantuono, Special Agent in Charge of the Federal Bureau of Investigation Boston Field Division Kenneth W. Kaiser, and Special Agent in Charge of the Bureau of Immigration and Customs Enforcement Robin Avers, today announced that David Johnson, of Montreal, Canada, pleaded guilty to racketeering, mail fraud, wire fraud, and mail and wire fraud conspiracy charges stemming from a telemarketing scheme originating in Canada and targeted towards United States citizens. Sentencing is scheduled for June 24, 2004.

Johnson faces statutory sentences of 20 years on each of the racketeering charges and 15 years on each of the wire fraud and mail fraud charges. The maximum five year sentence for mail fraud that would apply to Johnson is increased to ten years because a special federal statute adds a ten year penalty for mail or wire fraud involving telemarketing. Under the Federal Sentencing Guidelines, Johnson faces a sentence of 25 to 30 years.

The prosecution began on October 2, 2002, when a grand jury for the District of New Hampshire indicted Johnson and 14 other Canadian citizens in connection with a nationwide telemarketing fraud targeted at the elderly. The indictment charges David Johnson, Norman Redler and Joseph Taillon with a violation of the federal racketeering statute, often referred to as the RICO statute. Johnson, Redler, Taillon and 11 others are charged with conspiracy to commit racketeering and conspiracy to commit mail fraud. Johnson, Redler, Taillon and 12 others are charged with conspiracy to commit wire fraud.

In June 2002, the Royal Canadian Mounted Police, the Federal Bureau of Investigation and the Bureau of Immigration and Customs Enforcement, working jointly to combat telemarketing fraud through an effort known as Project Colt, brought the investigation to the

United States Attorney's Office for the District of New Hampshire. The investigation revealed that a group of Canadian citizens based in Montreal, with connections to Vancouver, British Columbia, had devised a scheme to defraud that was targeted at elderly widows and widowers. The investigation further revealed that the participants in the scheme had collected more than \$5 million from more than 80 victims of the fraud.

The grand jury's indictment alleges that the participants in the scheme would purchase lists of leads from various individuals. Victims were called by participants in the scheme using cell phones, allegedly to make tracking the scheme by law enforcement more difficult, and were asked several "qualifying" questions, such as their marital status, whether they were living with dependents, and their income. The participants in the scheme focused on individuals who were unmarried, or who were widows or widowers, who had no dependents living with them, and who had access to significant cash.

After "qualifying," a victim was called by a different participant in the scheme, usually claiming to be an attorney or some other authorized official, and told that he or she had won a cash prize, usually \$200,000. The victims were told that they had to prepay Canadian taxes and fees before collecting their cash prizes. The victims were also told by the participants in the scheme that they must keep the news of their winnings absolutely confidential or they would forfeit their winnings. By using this tactic, the defendants were successful in keeping the elderly victims from discussing their status as "winners" with their relatives or financial assistants. This tactic was also successful in persuading the victims not to report the scheme to law enforcement authorities.

The indictment also alleges that the victims were instructed to send cashier's checks to various addresses in the Montreal area. Individuals living at the addresses used by the defendants were paid a nominal fee for receiving the envelopes. The indictment identifies some of the defendants as "runners," that is, individuals who collected the checks from the mail drops and delivered them to the leaders of the scheme, David Johnson, Norman Redler and Joseph Taillon.

The indictment also alleges that the defendants would engage in a process known as "reloading." Once a victim had sent a cashier's check, usually in the amount of \$10,000.00, the victim would be contacted again and told that his or her winnings had increased, usually to \$2 million. The defendants would explain that the increase was the result of other winners being disqualified for violating the confidentiality clause. The increased winnings required additional payments for taxes and fees. The victim would be instructed to obtain another cashier's check, in an amount ranging from \$20,000 to \$240,000, and mail it to a Montreal address.

As set forth in the indictment, the defendants allegedly took the cashier's checks they collected to a Montreal restaurant and exchanged the checks, which were in United States dollars, for Canadian cash. The checks would then be sent to Israeli and Jordanian banks located in Israel, where they would first enter the international banking system and eventually make their way back to the bank where they were purchased.

In a parallel civil forfeiture action filed on October 18, 2002, United States Attorney Colantuono's office seized \$4.5 million from the accounts of several Middle-Eastern banks. The United States seized the funds under the newly enacted provisions of the PATRIOT Act, which was enacted by Congress in response to the attack of September 11, 2001. The \$4.5 million in seized funds has been transferred to the United States Marshal for the District of New Hampshire.

United States Attorney Colantuono stated: "Telemarketing fraud is a serious crime that warrants the best efforts of law enforcement. I cannot emphasize enough that no citizen should ever send money by mail or wire to a person or business unless the citizen knows the person or business or has initiated contact with that person or business. The telemarketers that created this fraud were professionals that were able to overcome the natural skepticism of the victims. Although my office is dedicated to finding and prosecuting these criminals, the best way to prevent fraud is to not allow yourself to be a victim. Ask yourself: Is this too good to be true? If the answer is yes, then do not send anyone any money."

Assistant U.S. Attorneys Don Feith and Jean Weld are prosecuting this case.

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